

Draft

Strategic Plan for the Minerals Management Service

1998 - 2002



**U. S. Department of
the Interior
Minerals Management
Service**



Minerals Management Service

The Secretary of the Department of the Interior established the Minerals Management Service (MMS) in 1982 to:

- ▶ Strengthen the Nation's mineral revenue collection efforts; and
- ▶ Improve the management of its Outer Continental Shelf (OCS) offshore lands resources.

Although MMS is a relatively small Bureau, our activities are of national significance. We provide the following benefits to States, Indian tribes and allottees, and localities:

- ▶ We administer 27 million acres of the OCS, which supplies over 25 percent of the natural gas and 12 percent of the oil produced in the United States.
- ▶ We collect and distribute about \$3 billion per year in rents, bonuses, and royalties from mineral leases on the OCS. This effort provides \$2 billion per year to the Federal and State treasuries; the remaining \$1 billion is distributed to the Land and Water Conservation Fund and the National Historic Preservation Fund.
- ▶ We collect over \$1 billion per year in royalties, rents, and bonuses from onshore mineral leases, of which over \$500 million is distributed to States, tribes, and Indian allottees; the remainder is distributed to the Reclamation Fund and the Treasury.

OUR MISSION

TO MANAGE THE MINERAL RESOURCES ON THE OUTER CONTINENTAL SHELF IN AN ENVIRONMENTALLY SOUND AND SAFE MANNER AND TO TIMELY COLLECT, VERIFY, AND DISTRIBUTE MINERAL REVENUES FROM FEDERAL AND INDIAN LANDS

MMS consists of two operating programs, Offshore Minerals Management (OMM) and the Royalty Management Program (RMP). The Directorates of Policy and Management Improvement and Administration and Budget, and the Office of Communications provide support for the programs. There are approximately 1800 employees in 20 cities throughout the United States.

Two principles guide us as we fulfill our mission:

- ▶ Be responsive to the public's concerns and interests; and
- ▶ Work to enhance the quality of life for all Americans.

Our Vision

TO BE RECOGNIZED AS THE BEST MINERALS RESOURCE MANAGER

Several agencies both within and outside of the Department of the Interior manage minerals resources. We want to set the standard for others to follow.

Already recognized as a progressive and effective agency, we want to be recognized as "the best in business." We intend to realize our vision through high-quality service and information, reduced costs, automation, and innovation.

OUR GOALS

We have identified three goals to help us succeed in our mission and realize our vision. Two goals are directly linked to our mission and are based on legislative mandates, the Department's mission statement, stakeholder input, and our experiences. The third goal, our organizational goal, encourages improved performance at all levels of the organization by providing a work environment that supports excellence and productivity.

Many of our strategies for achieving the goals are inherent in good management and are focused on improving the way we do business. We will continue to look for ways to simplify and streamline our processes and for re-engineering opportunities. Our goals are not based on an increase in funding levels.

GOAL 1

PROVIDE FOR SAFE AND ENVIRONMENTALLY SOUND MINERAL DEVELOPMENT ON THE OUTER CONTINENTAL SHELF, AND ENSURE THAT THE PUBLIC RECEIVES FAIR VALUE.

GOAL 2

PROVIDE TIMELY, ACCURATE, AND COST-EFFECTIVE MINERAL ROYALTY COLLECTION AND DISBURSEMENT SERVICES.

GOAL 3

ENCOURAGE A CULTURE THAT BRINGS OUT THE BEST IN OUR EMPLOYEES

We will incorporate a variety of approaches and strategies as we move to implement the goals we have established. We will improve our decisionmaking process, apply modern information systems to improve work quality and service, maintain a high level of scientific expertise and base decisions on high quality science, issue regulations that focus on results rather than processes, and reward innovation.

GOAL 1

PROVIDE FOR SAFE AND ENVIRONMENTALLY SOUND MINERAL DEVELOPMENT ON THE OUTER CONTINENTAL SHELF AND ENSURE THAT THE PUBLIC RECEIVES FAIR VALUE

We will evaluate the Nation's offshore natural gas, oil, and other mineral resources and provide scientific and technical information on the environmental, social, and economic effects of offshore gas, oil, and other mineral resource exploration, development, and production activities.

We intend to focus the OCS marine minerals program -- including new authority to negotiate for use of sand, gravel, and shell for authorized public works projects -- on appropriate areas with the greatest near-term potential and domestic need. At the same time, we will keep in sight and address longer range objectives and environmental protection.

We will evaluate and streamline processes needed for compliance with federal requirements. We also will provide more certainty on how to apply regulations without compromising diligence, resource conservation, and protection of correlative rights.

We will take advantage of and be responsive to global developments relating to our domestic mission and/or National foreign policy objectives.

Our long-term plans include encouraging industry to ensure safe and environmentally sound operations and utilize the best available and safest technologies.

CURRENT AND PLANNED PROGRAM INITIATIVES

The Offshore Program is pursuing several initiatives in support of Goal 1.

- ▶ Improving the human and environmental safety record of offshore operations by:
 - Developing and implementing a process to monitor environmental impacts; and
 - Continuing innovations in areas such as: developing and implementing a performance-based regulatory program that sets specific goals and objectives, establishing performance requirements for industry training programs, investigating accidents and pollution incidents, focusing inspection resources on highest risk facilities, penalizing non-performers, conducting research and workshops on problem areas and new technology and procedures, working with other agencies to minimize duplication and overlap, and working closely with

individual operators on safety and environmental management programs (SEMP) for their company.

- ▶ The Deep water Royalty Relief Act of 1995 (DWRRA) has had a major impact on leasing activities in the Gulf of Mexico having generated in 1996 the two largest lease sales in terms of bidding interest. MMS has initiated several approaches to implementing the DWRRA and meeting the goals of the strategic plan that are affected by this new law. These include:
 - The initiation of workshops and studies to identify issues and preventive measures that are specific to development in the deep water environment;
 - Acquiring additional data in Deep water areas to properly assess the fair value of public resources; and
 - Pressing more helicopters into inspection service to insure that offshore activities will be conducted in a safe and environmentally responsible manner.
- ▶ MMS is undertaking information technology improvements to meet performance goals through:
 - Employing advanced geologic interpretive technology to better define hydrocarbon potential and prospects;
 - Using automated systems to provide inspectors with better onsite inspection information which will be used to improve safety of offshore facilities; and
 - Using geographic information system technology to enhance decision making capabilities, e.g. to help define the scope of environmental impacts and to augment methods of monitoring environmental resources.

PERFORMANCE OBJECTIVES AND MEASUREMENT INDICATORS

The following performance objectives link specific actions to Goal 1. The measurement indicators show what will be measured to assess achievement of results.

Performance Objective: Ensure safe OCS mineral development.

Measurement Indicator: By 2002, decrease the accident rate index below the 1996 level of .612.

The index is the ratio of severity-weighted accidents to complexity/risk-weighted OCS development activities.

Performance Objective: Ensure environmentally sound OCS mineral development.

Measurement Indicator: By 2002, decrease the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline level (to be determined).

Measurement Indicator: By 2002, increase the number of beneficial environmental impacts per OCS mineral development activity above the 1998 baseline level (to be determined).

Measurement Indicator: By 2002, decrease the amount of oil spilled below the 1992-1996 average level of 4.86 barrels spilled per million barrels produced.

Performance Objective: Ensure that the public receives fair value for OCS mineral development.

Measurement Indicator: From 1997-2002, the ratio of the high bids for tracts leased on the OCS to MMS's calculated expected value, or minimum bid, on those tracts does not decrease below the 1989-1995 average level of 1.8.

For this Measurement Indicator, the higher the ratio, the more assurance the Government has that fair value is being received.

The current tract evaluation procedure is designed to assure fair value to the Government for the tracts that are leased. By maintaining a current ratio of high bids to MMS'

calculated expected value, minimum bid, it will indicate a reasonable expectation that the Government is receiving fair value for tracts leased.

If one assumes that both MMS and the companies bidding on a tract are looking at the same prospect and are evaluating the prospect using the same criteria, then in the absence of any competitive forces, a ratio of the high bid to the MMS' calculated expected value of "one" would indicate that a fair value is received. However, companies look at more than the discounted cash flow of a tract but also a perceived value as well as a value that will provide a competitive edge in obtaining the property. All of these factors are also included into a company's bid. At present, MMS' calculated expected value is strictly a discounted cash flow analysis and the bidders' corporate strategy is not part of the Government's value.

Measurement Indicator: By 2002, decrease below the 1989-96 average level of _____ percent the tracts classified as nonviable that were drilled by the end of the fifth year of their lease term and resulted in a well that is capable of producing in paying quantities.

Although the testing of this indicator has not been completed, the 1989-1996 average percent level will be very small, e.g., 3 or 4 percent.

After a lease sale, MMS classifies tracts as viable/nonviable during the bid evaluation process to assess the adequacy of bids submitted. A viable tract is a tract that has a resource level that exceeds the minimum economic field size. All legal high bids on tracts classified as nonviable are accepted.

The goal of this Measurement Indicator is to reduce the number of tracts that are classified as nonviable but were drilled within five years of being leased and the well resulted in a discovery that is capable of producing in paying quantities.

Performance Objective: Provide for mineral development on the OCS.

Measurement Indicator: By 2002, increase the annual number of leases on which

exploratory wells are drilled above the 1992-1996 average level of 250 leases.

Measurement Indicator: By 2002, slow the rate of decline in the oil and gas reserves-to-production ratio that occurred from 1990-1995 which was 11.5 to 7.3 for oil and 7.6 to 6.0 for gas.

Measurement Indicator: By 2002, increase annual OCS production above the 1995 level of 422.9 million barrels of oil, 5.1 trillion cubic feet of gas, 2.2 million long tons of sulphur, and 1.2 million cubic yards of sand and gravel.

GOAL 2

PROVIDE TIMELY, ACCURATE, AND COST-EFFECTIVE MINERAL ROYALTY COLLECTION AND DISBURSEMENT SERVICES

We will examine our processes to find ways to improve timeliness and accuracy of payments. We will continuously improve our systems and processes for collecting and disbursing revenue and for ensuring that all revenue due is paid on time.

We will focus on preventing, rather than finding, noncompliance. We will view an incorrect or untimely payment as a problem to prevent in the future, not only as a revenue to collect now. In each of our activities, we will recognize the need to seek and implement improvements intended to increase the percentage of mineral revenue from Federal and Indian leases paid voluntarily.

We will strive to identify, resolve, and implement new policies or policy changes more efficiently by reaching decisions sooner within MMS and by managing the approval process more effectively.

We will improve our customer focus. Our goal is to listen to our customers, involve them in our decisionmaking, and adjust our processes to improve customer service and satisfaction.

We will challenge each employee to consider how his or her activities affect the ability of other employees to provide quality customer service.

CURRENT AND PLANNED PROGRAM INITIATIVES

The Royalty Management Program has several ongoing initiatives that will help us meet this goal.

- ▶ We are in the process of re-evaluating and revising the rules for calculating the value of natural gas and crude oil. We are proposing methodologies for calculating royalty value based on widely available information about market values for oil and gas. With such changes, we believe that we will enhance reporters' ability to report timely and accurately.
- ▶ In August 1996, the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA) was enacted into law. This law amended the Federal Oil and Gas Royalty Management Act and the Outer Continental Shelf Lands Act. Near-term changes in processes and systems will be made to implement RSFA. In addition, longer-term strategies, business-processes and current systems will be addressed so the program will be cost-effective and responsive to customer needs over the long term.

- ▶ Last summer, RMP began re-engineering efforts, focusing on compliance processes. With RSFA as a stimulus and also with the insights we gained from the compliance re-engineering effort, RMP managers have decided to expand the initiative beyond compliance re-engineering to include all aspects of RMP's operations. The principal objective of the re-engineering initiative is to design, develop and implement new core business processes, with supporting systems, for the 21st century.

PERFORMANCE OBJECTIVES AND MEASUREMENT INDICATORS

The following performance objectives link specific actions to Goal 2. The measurement indicators show what will be measured to assess achievement of results.

Performance Objective: **Improve the timeliness and accuracy of payments to States, Indian tribes, BIA offices, and other Federal agencies.**

Measurement Indicator: Through 2002, maintain or increase the percentage of the collected dollars and accompanying information that is provided timely to States and Indians. Currently, our disbursement rate is 98 percent.

On-time disbursements are disbursements made by the end of the month following the month of receipt as mandated by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA). A decrease in percentage from the previous FY to the current FY would indicate that disbursements are less timely.

Fiscal Year	On-time Percentage
FY 1996	Federal = 93.0% ¹ Indian = 96.8%
FY 1995	Federal = 98.4% Indian = 94.6%

Measurement Indicator: By 2002, decrease the late disbursement interest costs to \$30,000 per year.

We calculate total interest paid on late disbursements to States as mandated by FOGDMA. A decrease in interest paid to States from the previous FY to the current FY would indicate that disbursements are being made more timely.

Fiscal Year	Late disbursement interest
FY 1996	\$164,000 ¹
FY 1995	\$ 85,900

Performance Objective: Improve the cost effectiveness of mineral royalty collection and disbursement services.

Measurement Indicator: By 1999, increase the percentage of royalty reports, production reports, and dollars received electronically to 100 percent.

The RMP receives over ½ million line items monthly, representing specific royalty and production transactions. We offer a variety of electronic reporting and paying options: tape, floppy disks, E-Mail, Electronic Data Interchange (EDI), Comma Separated Values.

We anticipate a continual increase in electronic transmittals; based on experience to date, we expect a

¹ Revenue disbursement timeliness decreased, and interest paid to States increased as a result of the Federal Government shutdown from December 18, 1995 through January 7, 1996. During this period, payments due on the last business day of December were disbursed 9 days late. Special staff came in during the furlough to ensure timely Indian disbursement.

corresponding decrease in reporting errors. Error-free reporting allows RMP to timely disburse revenues to ultimate recipients (States, Indians, other Federal agencies, and the General Fund of the U.S. Treasury).

In conjunction with these efforts, MMS is looking to expand the universe of payments made by electronic funds transfer through Automated Clearing House (ACH) or Fedwire payment. MMS published a final rule on April 22, 1997, to amend regulations which specify how payments are made. The principal change incorporates a U.S. Treasury requirement that payments and collections will be made by Electronic Funds Transfers (EFT).

Fiscal Year	Electronic commerce
FY 1996	Royalty lines = 72% Production lines = 46% Dollars received = 92%
FY 1995	Royalty lines = 67% Production lines = 43% Dollars received = 93%

Measurement Indicator: By 2002, increase productivity by 25 percent. We intend to implement this indicator as part of our re-engineering efforts. When we have determined our focus with respect to measuring specific areas for productivity, we will establish baselines.

Performance Objective: **Improve reporters' compliance with lease terms, rules, regulations, and laws.**

Measurement Indicator: Through 2002, maintain or increase the percentage of royalty and production reports submitted by reporters without fatal errors (those errors which would prevent the disbursement of funds or further processing). Currently 97 percent of reports are submitted without fatal errors.

We will calculate the percentage of royalty and production report lines submitted by industry that clear fatal computer edits during initial processing. An increase in percentage from the previous FY to the

current FY would indicate that reports are more accurate.

Fiscal Year	Correct reporting
FY 1996	Royalty lines = 97.6% Production lines = 97.5%
FY 1995	Royalty lines = 97.5% Production lines = 97.2%

Measurement Indicator: By 2002, the number of industry discrepancies will decrease by 50 percent from the baselines. This relates to errors detected by our compliance activities. While we have extensive data with respect to compliance, we intend to implement this indicator as part of our re-engineering effort. We need to further define what we will measure and how we will measure it before we establish baselines.

Performance Objective: **Provide Indian tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program.**

Under the Secretary's American Indian trust responsibilities, MMS is responsible for Indian mineral royalty collection and disbursement functions. The Indian Self-Determination and Education Assistance Act provides for tribes to contract for or assume Federal functions, programs, activities, or services. The Secretary of the Interior supports facilitating "the efforts of Indian tribes and tribal organizations to plan, conduct, and administer such programs, functions, services, and activities, or portions thereof, which the Department is authorized to administer for the benefit of Indians because of their status as Indians."

To help tribes prepare to assume royalty management services, MMS offers a number of opportunities, including on-line monitoring of royalties and accounts, learning our royalty collection processes through a new internship program for tribal employees, and handling royalty audit work through cooperative agreements.

We will coordinate transfer of Federal programs with other agencies through our participation in the Indian Minerals Steering Committee (IMSC). The IMSC is comprised of representatives from the Bureau of Indian Affairs, the

Bureau of Land Management, the Department's Office of Policy, Management and Budget, the Office of Trust Funds Management, MMS, and the Office of the Secretary, and acts as a forum to facilitate the resolution of Indian mineral resources and royalty management issues.

We expect that tribes with larger annual mineral royalties (12 of the 41 tribes we currently serve receive mineral royalties in excess of \$1,000,000 annually) will have greater interest in the assumption of royalty management functions. Our efforts to educate and encourage the assumption of our functions will, however, span all tribes that we serve.

Measurement Indicator: By 2002, increase the number of Indian tribes that take part in one or more educational opportunities or that assume one or more functional responsibilities.

	Educational Opportunities (access to royalty data, joint audit work, Royalty Internship Program)	Functional Responsibilities (Coop audit program, self-determination contract, self-governance contract)
FY 1996	11	8
FY 1995	11	8

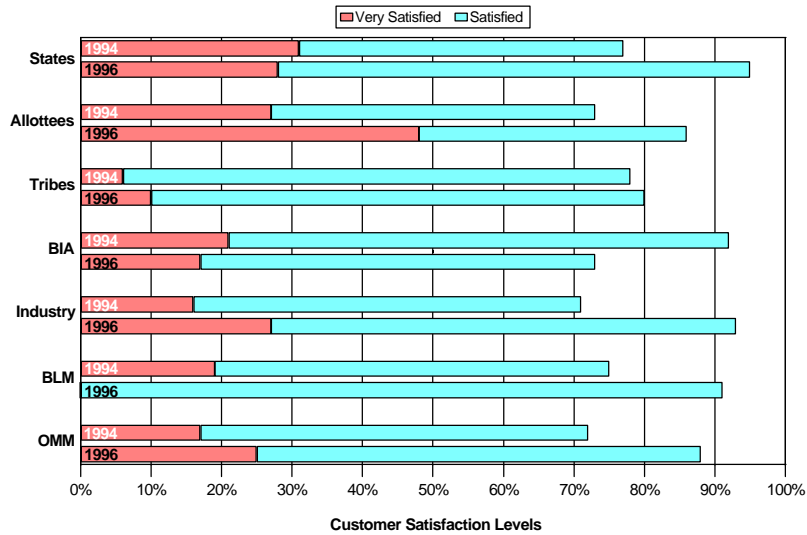
Performance Objective: Improve customer service and communication.

Measurement Indicator: By 2002, improve RMP's customer satisfaction rating (data from customer surveys) in the areas of credibility, responsiveness, professional image, and overall quality.

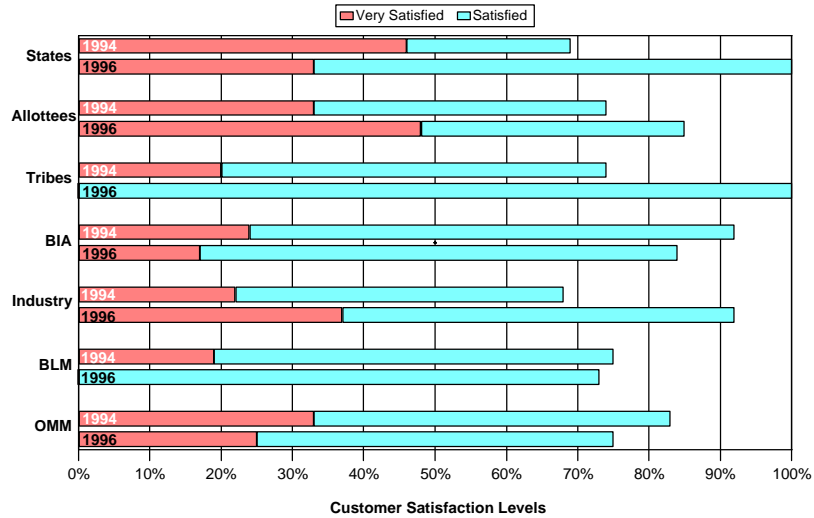
In 1996, RMP chartered a team to perform a survey of seven customer groups who have significant and regular involvement with RMP. This survey was a follow-up to our 1994 customer survey.

We selected four survey areas to determine customer satisfaction: credibility; responsiveness; professional image; and overall quality. Additionally, we asked several detailed questions to reveal areas where we need to focus to improve overall satisfaction. We will periodically perform additional customer surveys.

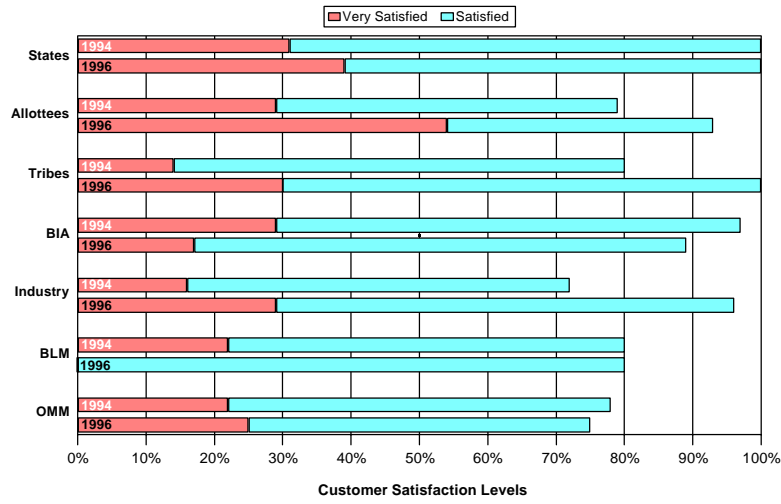
RMP CUSTOMER SATISFACTION SURVEY FOR CREDIBILITY



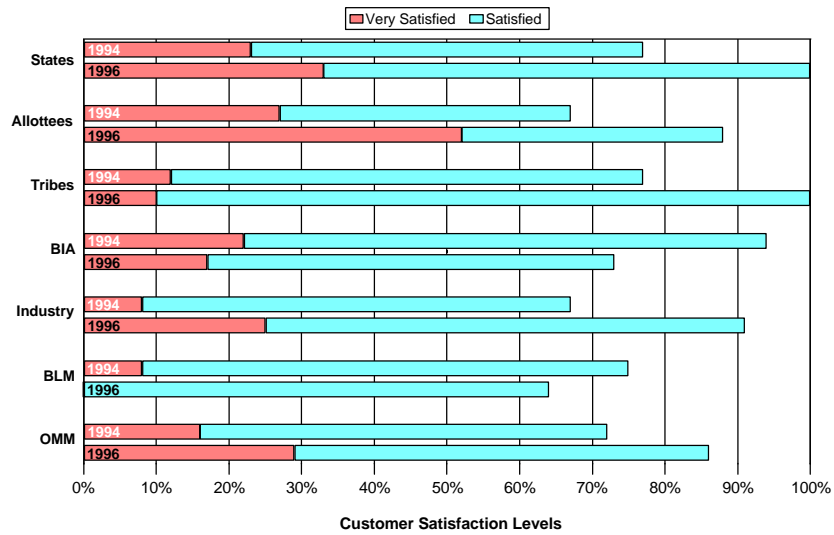
RMP CUSTOMER SATISFACTION SURVEY FOR RESPONSIVENESS



RMP CUSTOMER SATISFACTION SURVEY FOR PROFESSIONAL IMAGE



RMP CUSTOMER SATISFACTION SURVEY FOR OVERALL QUALITY



GOAL 3

ENCOURAGE A CULTURE THAT BRINGS OUT THE BEST IN OUR EMPLOYEES

Our strength is our employees who directly influence our ability to accomplish our mission. Employees are our greatest asset; therefore, we will develop, empower, and recognize our work force. We will devote sufficient resources to recruiting, developing, and retaining high caliber employees to meet current and anticipated mission needs. We will ensure that all employees have the necessary tools to provide quality service to our customers.

We can accomplish our mission only when all employees work together, using all of their skills and abilities, in an open and positive environment. We will foster the growth of a work environment that shares information and promotes teamwork. We also will empower each employee to improve processes continuously to meet customers' needs and will delegate decisionmaking to the lowest organizational level practicable.

Further, we will find ways to acknowledge the many outstanding achievements of our employees, both individually and collectively. Our goal is to provide timely recognition to all employees who perform significant and meaningful actions that support the MMS mission.

CURRENT AND PLANNED PROGRAM INITIATIVES

Much of the data needed to support the following measurement indicators is available in various automated systems. When the data is not available in a format that is usable, the systems will be changed (e.g. fields added). We are planning to survey our employees to develop baseline information when it is not available through other sources. Later, employees surveys will be used to track our progress towards goal achievement.

PERFORMANCE OBJECTIVES AND MEASUREMENT INDICATORS

The following performance objectives link specific actions to Goal 3. The measurement indicators show what will be measured to assess achievement of results.

Performance Objective: Ensure continuous development and growth of MMS employees.

MMS recognizes the importance of developing its employees. It is through a self-confident and knowledgeable staff that we will accomplish our mission and our strategic program goals. Development opportunities include the entire educational experience--formal education (i.e., degree and certification programs) and training opportunities, as well as participation in

teams, and formal details or rotational assignments in other parts of the organization. MMS is dedicated to providing these opportunities to a diversified workforce.

Measurement Indicator: By 2000, common training needs (based on core competencies) of all employees (e.g., communications, information technology, ethics) and for major occupational groups will be documented in common and occupational training plans.

New work modes and continually changing technology mandate that employees and managers alike are given real-time training in such areas as critical communications and computer technology skills, and in re-engineering processes to keep their skills current. Successful team participation requires good communications skills. MMS will develop occupational training requirements (core competencies) to enable its employees to update their skills and knowledge. Data to support this measure will be provided from our various organizations.

Measurement Indicator: By 2002, 75 percent of employees will meet the continuing education requirement specified in the common and occupational training plans.

All employee training needs should be identified through mutual agreement between employee and supervisor, and discussed in performance appraisal reviews. All employees should receive training in general core competencies. Currently, the Department is developing a training information system; once developed MMS would customize it to gather data to support this measure.

Measurement Indicator: By 2002, 20 percent of employees will experience a formal detail or some form of rotational assignment.

MMS encourages employees to participate in rotational assignments or details. This facilitates career development and enriches the work environment. The employees' broadened organizational knowledge and skills increase their outcome focus and customer service. This also enhances management's flexibility in allocating resources. A rotational assignments program will enable management to evaluate the success of these assignments and the value of this measure. Data to support this measure will come from sources such as the personnel payroll system, a data base on rotational assignments, and employee surveys.

Measurement Indicator: By 2002, the MMS workforce will more closely reflect the diversity in the civilian labor force.

Cultural and ethnic diversity allows an organization to develop different perspectives and strategies to respond to changing environments. MMS services a diverse public. Our employees need to represent that public if we are to successfully interact. Our Diversity Plan will help managers recruit to achieve balanced representation in various job categories. Data to support this measure will come from the Equal Employment and Development Opportunity Division's system.

Performance Objective: Increase employee innovation, involvement, and decisionmaking

MMS has a fundamental responsibility to its employees to create a work environment that supports excellence and productivity. Budgets and available human resources continue to shrink while programs are streamlined and re-engineered. MMS managers and employees must look for ways to work more effectively and efficiently and continue to provide excellent service to customers. MMS managers must promote and support risk-taking, empowerment and innovation among employees. Employees must be able to trust that managers will recognize and act on their contributions, reward their successes and provide support and guidance when their efforts are less successful.

Measurement Indicator: By 2002, the number of employees who experience a

process team opportunity will increase by 50 percent over the baseline.

Participation in teams fosters organizational cohesiveness by breaking down organizational boundaries. It provides an opportunity for people to work together and share knowledge. Employees on teams forge a bond that provides a network for future collaboration. Currently, we estimate about 20 percent of employees have experienced or are experiencing team opportunities. Data to support this measure will be obtained from MMS organizations.

Measurement Indicator: By 2002, employee surveys show the MMS work environment, which fosters trust and encourages employees to take responsible risks, will show an improvement of 10 percent over the 1998 baseline.

MMS managers must provide a work environment that accepts emerging paradigms and evolving needs. They must be able to react quickly to make the right decision at the right time and communicate the reasons to the employees. They must provide leadership, foster collaboration, promote learning, and set the example of mutual respect among employees, managers, and our many customers and stakeholders.

Measurement Indicator: By 2002, end-user computing will be strengthened by means of a common infrastructure of architecture and standards, consistent with the implementation schedule established in the MMS IRM Strategic Plan.

Common architecture and standards are needed to enhance the ability of MMS to share information, equipment, and resources. While significant strides in information technology advances have been achieved within the MMS, the individual users still do not have uniform tools or the necessary skills to utilize them. Data to support this measure will be obtained through comparison with the schedule contained in the Information Resources Management Strategic Plan.

Performance Objective: Provide timely recognition and reward for contributions that support the MMS mission.

MMS is committed to providing an Awards Program that recognizes and encourages exceptional performance that

is consistent with the mission and strategic program goals of the MMS. The Awards Program has been designed to be a meaningful, equitable, and timely recognition tool. The success of this program will enhance the ability of the MMS to meet its mission through better employee involvement. The following performance indicator will measure how effectively this goal is being accomplished.

Measurement Indicator: By 1998, an employee survey will establish a baseline of employee satisfaction with MMS' success in providing equitable and timely recognition for contributions that support the MMS mission and improve on that baseline by 50 percent by the year 2002.

To assure an effective recognition program, employees must feel that the program is equitable, that like contributions receive like recognition regardless of organization or grade-level. In addition, to effectively motivate employees, awards must be granted timely. To assess equity, statistics will be prepared quarterly for the MMS Quality Council to analyze the distribution of awards granted within program entities and among grade levels. As an indicator as to whether awards are being granted timely, a quarterly analysis of the distribution of awards throughout the fiscal year would also be prepared.

EXTERNAL FACTORS THAT MAY AFFECT ACCOMPLISHMENTS

While many external factors can have an impact on program accomplishments, the following discussion focuses on only the most significant factors.

One external factor that may affect MMS accomplishments is the impact of a tanker accident and subsequent spill. Even though the vast majority of our OCS production is transported by pipelines, which have an outstanding safety record, oil spills from tankers, e.g., the Exxon Valdez incident can dramatically impact our program and its planned accomplishments.

Another factor is the recently passed *Federal Oil and Gas Royalty Simplification and Fairness Act of 1996*. One section of the law authorizes delegation of additional royalty activities to States. This section as well as others will require RMP to change royalty and production accounting systems, develop and issue new regulations, and implement new procedures. The law also may change the way MMS relates to its customers, especially in the areas of royalty reporting, distribution, and verification and in the determination of liability.

MMS' performance could also be affected by major funding cuts. Congressional action to reduce budget requests either directly or across the board are very real possibilities. Apart from specific funding cuts, even limiting funding levels can quickly force significant changes in program approach and accomplishments.

The impact of oil and gas price changes could also be important. If prices fall, there is less incentive for companies to explore for new resources or develop existing leases. Conversely, when prices rise, companies seek to increase production of existing leases, explore for new resources, and develop existing leases. While price changes are driven by many factors that are outside the control of MMS, they can significantly affect our accomplishments.

Finally, legal disputes may prevent or delay oil and gas activity. National and local shifts in public attitudes toward energy exploration and production can have the same effect.